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SEP 29 2003

ATTORNEY AT LAW
PUBLIC SERVICE
COMMISSION

DAMON R. TALLEY

September 26, 2003

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RE: Hopkinsville Water Environment Authority and
Christian County Water District
Case No. 2003-00087

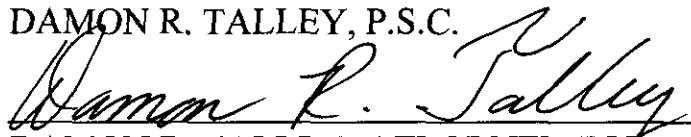
Dear Mr. Dorman:

Enclosed for filing are the original and eight (8) copies of the Settlement Agreement that has been reached by the parties in this case.

If you need any additional information, please let me know.

Yours truly,

DAMON R. TALLEY, P.S.C.



DAMON R. TALLEY, ATTORNEY FOR
CHRISTIAN COUNTY WATER DISTRICT

DRT:ln

Enclosures

cc: John P. Kirkham
Christian County Water District
Andrew C. Self

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

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In the Matter of:

SEP 29 2003

PUBLIC SERVICE
COMMISSION

INVESTIGATION OF THE HOPKINSVILLE)
WATER ENVIRONMENT AUTHORITY'S) CASE NO.
WHOLESALE RATE TO CHRISTIAN) 2003-00087
COUNTY WATER DISTRICT)

*** ** *** ** *** ** *** ** ***

SETTLEMENT AGREEMENT

*** ** *** ** *** ** *** ** ***

THIS SETTLEMENT AGREEMENT ("Agreement") is made and entered into as of the 9th day of September, 2003, by and between the Hopkinsville Water Environment Authority ("HWEA") and the Christian County Water District ("Water District"), both of whom are collectively referred to as the "Parties";

WITNESSETH:

WHEREAS, on June 28, 1973, the City of Hopkinsville, acting by and through its duly authorized agency, the Hopkinsville Sewerage and Water Works Commission (now known as Hopkinsville Water Environment

Authority or HWEA), entered into a Water Purchase Contract (“Contract”) with the Water District;

WHEREAS, there have been multiple amendments, extensions and addendums to the Contract during the past 30 years;

WHEREAS, HWEA has provided wholesale water service to the Water District for the past 30 years pursuant to the terms of the Contract, as amended and extended;

WHEREAS, a dispute has arisen between the Parties concerning the wholesale rate to be charged to the Water District;

WHEREAS, on March 11, 2003, the Public Service Commission (“Commission”) established this proceeding to investigate the reasonableness of the new wholesale water rate proposed by HWEA to the Water District; and

WHEREAS, the Parties have engaged in good faith settlement negotiations which have produced this Agreement;

NOW THEREFORE, HWEA and the Water District agree as follows:

1. The wholesale water rates that HWEA shall charge the Water District shall be in accordance with the June 19, 1996 Contract Modification

Agreement (“1996 Amendment”) between HWEA and the Water District. The 1996 Amendment provides for a 1.3 multiplier times the applicable city rates. In calculating the wholesale rates, HWEA shall include the fourth tier which was deleted by the Hopkinsville City Council on November 21, 2000. Based upon the current city rates, the wholesale rates that HWEA shall charge the Water District are set forth in **Schedule 1** which is attached hereto and incorporated herein by reference.

2. Based upon the available information, both HWEA and the Water District believe that the rates set forth in **Schedule 1** closely approximate HWEA’s actual cost of producing and delivering water to the Water District. Both Parties are satisfied that the proposed wholesale rates are fair, just and reasonable.

3. The Parties request the Commission to enter an Order finding that the rates set forth in **Schedule 1** are fair, just and reasonable and approving the rates set forth in **Schedule 1**.

4. Each Party pledges to use its best efforts to help expedite the approval of this Agreement by the Commission.

5. It is understood by the Parties that this Agreement is subject to the acceptance of, and approval by, the Commission and is not binding upon the Commission.

6. If the Commission adopts this Agreement in its entirety, each Party agrees that it will not bring an action for review of the Commission's final order in this case in the Franklin Circuit Court.

7. If the Commission does not adopt this Agreement in its entirety, each Party reserves the right to withdraw from the Agreement, to request that Case 2003-00087 proceed as if no Agreement had been executed, and to request a formal hearing in this proceeding. In such event, this Agreement shall not be binding upon any of the Parties and shall not be admitted into evidence or relied upon in any manner by either of the Parties, the Commission, or its Staff.

IN WITNESS WHEREOF, each of the Parties, by its duly authorized Chairman and attorney, has executed this Agreement as of the date first above written.

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY

BY: Robert C. Carter
ROBERT C. CARTER, CHAIRMAN

HOPKINSVILLE WATER ENVIRONMENT AUTHORITY

BY: Andrew C. Self
ANDREW C. SELF, ATTORNEY

CHRISTIAN COUNTY WATER DISTRICT

BY: William Lile
WILLIAM LILE, CHAIRMAN

CHRISTIAN COUNTY WATER DISTRICT

BY: Damon R. Talley
DAMON R. TALLEY, ATTORNEY

SCHEDULE 1

WHOLESALE RATES TO BE CHARGED BY HWEA TO CHRISTIAN COUNTY WATER DISTRICT

USAGE BLOCK	RATE PER 100 CUBIC FEET	EQUIVALENT RATE PER 1,000 GALLONS
First 3,000 cubic feet	\$2.30	\$3.08
Next 3,000 cubic feet	2.02	2.70
Next 3,000 cubic feet	1.46	1.95
All over 9,000 cubic feet	1.19	1.59